

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 FEA-01 AGR-05 CEA-01 CIAE-00 COME-00

DODE-00 EB-07 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 AF-08

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TO SECSTATE WASHDC 1553

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E.O. 11652: N/A

TAGS: EAGO, EEC, GATT

SUBJECT: SECTION 301 EC BARLEY MALT EXPORT SUBSIDIES

REF: (A) STATE 169497, (B) STATE 165988, (C) 75 STATE 277864

1. ON JULY 9 WE PRESENTED TO FIELDING, COMMISSION DIRECTOR FOR NORTH AMERICAN AFFAIRS, THE US REQUEST FOR GATT ARTICLE XXII (1) CONSULTATIONS ON EC BARLEY MALT EXPORT SUBSIDIES, (REF A) AND SUBSEQUENTLY WE DISCUSSED THE ISSUES FURTHER WITH HIM. FIELDING ASKED WHETHER THE US WAS ANXIOUS TO DISCUSS THE NOW-TERMINATED SUBSIDIES OF LAST YEAR OR THE RE-INTRODUCED SUBSIDIES OF THIS YEAR. WE TOLD FIELDING THAT ALTHOUGH OUR INSTRUCTION WAS NOT PRECISE ON THIS POINT, THE US HAS BEEN CONCERNED SINCE LAST YEAR OVER THE LOSS OF ITS MARKET IN JAPAN AND OTHER COUNTRIES (REF C). IN VIEW OF THE FACT THAT THIS LOSS HAD BEGUN AS A RESULT OF THE EARLIER SUBSIDIES AND THAT THE COMMISSION HAD NOW INTRODUCED NEW SUBSIDIES WE PRESUMED THAT THE US WOULD BE INTERESTED IN DISCUSSING THE EFFECTS OF BOTH MEASURES ON OUR SHIPMENTS TO THIRD COUNTRIES AND ESPECIALLY

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JAPAN.

2. SIR CHRISTOPHER SOAMES RAISED THE ISSUE ON JULY 12 WITH AMBASSADOR HINTON. HE SAID THAT WHILE THE COMMISSION WAS CERTAINLY WILLING TO DISCUSS ISSUES OF THIS SORT WITH THE U.S., WE SHOULD UNDERSTAND THAT THE COMMISSION WOULD PREFER EXAMINATION OF SUCH ISSUES IN INFORMAL CONSULTATIONS AND THAT IT DOES NOT IMPROVE THE ATMOSPHERE FOR THE US TO BE CALLING FOR FORMAL CONSULTATIONS UNDER AN ARTICLE OF THE GATT WHICH IMPLIES THAT THE COMMUNITY IS UNWILLING TO HOLD INFORMAL CONSULTATIONS. THE COMMISSION WOULD UNDOUBTEDLY FORMALLY AGREE TO THE GATT CONSULTATIONS UNDER ARTICLE XXII (1) BUT HE WANTED THE AMBASSADOR TO UNDERSTAND HIS VIEWS.

3. FIELDING TOLD US ON JULY 13 THAT THE COMMISSION HAS NOW ACCEPTED THE PROPOSAL FOR ARTICLE XXII (1) CONSULTATIONS AND SUGGESTS THAT THEY TAKE PLACE AT 10:00 A.M. TUESDAY, JULY 27, 1976, AT THE COMMISSION. FIELDING WILL LEAD THE COMMISSION SIDE, WHICH WILL IN ADDITION CONSIST OF LEON DURAND, DIVISION CHIEF FOR GRAIN; LOERKE, U.S. DESK OFFICER; AND MARMULLA, DIVISION CHIEF FOR AGRICULTURE RELATIONS WITH NON-MEMBER COUNTRIES. HINTON

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